



The Honorable Liane Randolph
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

September 19, 2022

RE: Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph and Members of the Board:

Clean Energy, a leader in air quality and climate change mitigation, and an original stakeholder and continued strong supporter of California's Low Carbon Fuel Standard (LCFS), is pleased to submit the following comments regarding potential changes to the program. Please accept these comments in conjunction with those we submitted in August. We support the California Air Resources Board's (CARB) adjustments to the LCFS that would further accelerate the decarbonization of California's transportation fuels and have provided the following comments to address several important policy and programmatic issues.

Credit True-Ups

We support the proposed true-up between temporary carbon intensity values to certified values as proposed at the recent CARB workshop. This would correct for under-crediting to pathway holders who choose to use temporary CI scores at the outset of their credit generation. This would help reduce the pressure on CARB from developers to process LCFS applications quickly.

The LCFS allows an RNG project to store its biomethane for up to nine (9) months before it must be dispensed, or the project loses its credit generation capabilities. Dairy and swine RNG projects store and inventory their RNG production while they go through the LCFS pathway approval process. Unfortunately, pathway approvals are taking around 12-15 months to get approved which puts financial hardship on a project and those in the entire value chain.

Benefits of this include:

- It would allow developers to avoid engaging in complicated storage contracts;
- A project would be able to apply its provisional CI retroactively to the start of a project. This would eliminate the need to store gas from a project and ensure the project is eligible to claim the full benefit of its project CI even when starting with the temporary pathway;
- Result in greater market availability of low carbon fuel and earlier emissions reductions;
- Would smooth out deliveries to fleets by avoiding the need to build up a large "stored gas" inventory;

- Would allow for more direct sales of renewable natural gas to smaller and more local fleets, who do not have the fleet size to dispense stored gas.

Pathway Processing and Deemed Completed Dates

We remain concerned about report timing and encourage CARB to examine how to maximize efficiency. Pathway applications are not being reviewed by CARB until approximately four months after submittal. Overall, Tier 2 pathway application approval schedules have stretched from around 9-12 months to 12-15 months, which puts significant financial hardship on projects. Continued delay in pathway approvals means projects are less attractive to both public and private investors because LCFS revenue does not offset start up and operation costs let alone begin a return on the large capital invested in project development.

We urge CARB to expedite the process which will continue to support market certainty. We would like to see improved pathway processing to help reduce delays in cash flow to projects and increase investment certainty associated with the LCFS program. Concerning Tier 1 calculators, an increase in applications should reduce CARB staff administrative burdens and speed pathway approval times. We support CARB's proposed alignment of deemed complete dates between Tier 1 and Tier 2 processes if the Tier 1 calculators are modified to accurately represent most RNG pathways, which should further incentivize additional Tier 1 applications. Pushing the deemed completed date later in time adds further uncertainty to projects.

We Support the Creation of a Tier 1 Calculator for Hydrogen

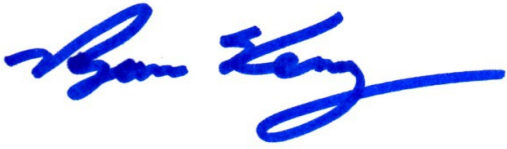
Our company is looking closely at the utilization of hydrogen for the heavy-duty transportation sector. Numerous barriers remain for this to happen, including cost and scale, but we urge CARB to make every effort to effectively incentivize use including the creation of a Tier 1 calculator for hydrogen pathways. For example, we strongly support the integrated use of book and claim accounting for RNG as inputs into renewable hydrogen creation. The removal of barriers over time and the increase in incentives will help build this market.

Conclusion

Thank you for considering our views. As mentioned, Clean Energy was an early and consistent strong supporter of the LCFS and we remain committed to a collaborative partnership to ensure an effective and successful LCFS Update. We urge CARB to continue to incentivize biomethane production which includes efficient pathway applications and processes.

California has a substantial opportunity to reduce near-term Short-lived Climate Pollutants, carbon and NOx emissions with approximately 800,000 diesel trucks that can substantially and immediately begin to transition to RNG and ultimately to ZEV technology as it is commercially viable and accepted. Clean Energy is committed to be a partner with CARB to achieve our climate and clean air goals.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Kenny". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ryan Kenny
Senior Public Policy & Regulatory Affairs Advisor – Western U.S.
Clean Energy